

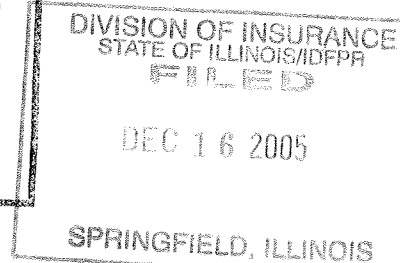
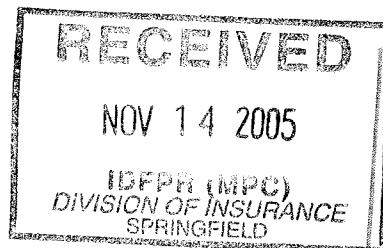


American International Companies®

DBG Legal Services
State Filings Department
175 Water Street, 17th Floor
New York, NY 10038
212.458.7058 (Direct Dial)

November 7, 2005

Honorable Michael T. McRaith
Director of Insurance
Illinois Department of Insurance
320 West Washington Street, 4th Floor
Springfield, Illinois 62767-0001
Attn.: Mr. John Gatlin
Supervisor, Property and Casualty Compliance Unit



RE: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NAIC #012-19445, FEIN #25-0687550
Dental Professional Liability Program
Rates/Rules
Our Filing Number: AIC-05-EO-06

Dear Mr. Gatlin:

National Union Fire Insurance Company of Pittsburgh, Pa. (the "Company") submits for your review and approval revised rates and rules to be used with its Dental Professional Liability Program currently on file with your Department.

The rate revisions include a base rate change and the implementation of a new class plan. Since the Company has been a carrier for this Program for only one year there is no credible loss data for this Program. The indicated rate level change is based on the most recent underlying historical countrywide data of the Redwoods Insurance Group, Inc. (the Program Administrator).

Please refer to the attached explanatory memorandum for information regarding the revisions.

We wish to make this filing effective for all policies effective on or after December 16, 2005 or the earliest date permitted by your state.

Your favorable consideration and approval are respectfully requested.

Sincerely,

Carol Elliston
Filings Analyst
State Filings Department
Direct Dial: (212) 458-7056
Fax: (212) 458-7077
carole.elliston@aig.com

+ 22%

Effective January 1, 2004

Effective January 1, 2004

Property & Casualty Transmittal Document (Revised 1/1/04)

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only
	a. Date the filing is received:
	b. Analyst:
	c. Disposition:
	d. Date of disposition of the filing:
	e. Effective date of filing:
	f. State Filing #:
	g. SERFF Filing #:

RECEIVED NOV 16 2005 DIVISION OF INSURANCE SPRINGFIELD

3. Group Name	American International Group, Inc.			Group NAIC #
				012
4. Company Name(s)	Domicile	NAIC #	FEIN #	
National Union Fire Insurance Company of Pittsburgh, Pa.	PA	19445	25-0687550	

5. Company Tracking Number	AIC-05-EO-06
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Carol Elliston State Filings Department 175 Water Street, 17 th Floor New York, New York 10038	Filings Analyst	(212) 458-7056	(212) 458-7077	Carole.elliston@aig.com
7. Signature of authorized filer				
8. Please print name of authorized filer Carol Elliston				

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	11.0 Med Mal-Claims Made and Occurrence
10. Sub-Type of Insurance (Sub-TOI)	11.0030, 11.1030, 11.2030 Dentist
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	N/A
12. Company Program Title (Marketing title)	Dental Professional Liability
13. Filing Type Forms	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (Rate Only)
14. Effective Date(s) Requested	New: December 16, 2005 Renewal: December 16, 2005
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	N/A
17. Reference Organization # & Title	N/A
18. Company's Date of Filing	November 7, 2005
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Proper & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	AIC-05-EO-06
21.	Filing Description [This area should be similar to the body of a cover letter and is free-form text]	

The rate change consists of a base rate increase and the implementation of a new class plan.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
<p>Check #: N/A - No Fee for Rate Filing Amount: N/A</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p>	

***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing.)

1.	This filing transmittal is part of Company Tracking #	AIC-05-EO-06
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	N/A
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☒ Rate Increase
 ☐ Rate Decrease
 ☐ Rate Neutral (0%)

3.	Overall percentage rate impact for this filing	22.04%
4.	Effect of Rate Filing – Written premium change for this program	\$17,725
5.	Effect of Rate Filing – Number of policyholders	56
6.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	

Rate Change by Company			
Company Name	Percentage Change	Effect of Rate Filing	
		# of policyholders for this program	Written premium change for this program
National Union Fire Insurance Company of Pittsburgh, PA	22.04%	56	\$17,725

8.	Overall percentage of last rate revision	Original filing
9.	Effective Date of last rate revision	11/09/04
10.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval

11.	Exhibit Name/Description /Synopsis	Rule # or Page #	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Explanatory Memorandum	1 Page	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	N/A
02	Rate Pages	4 Page	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	N/A
03	Exhibits 1-6	6 pages	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	N/A
04	Exhibits 7	7 1-5	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	N/A
05	Rate/Rules	5 pages	<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	N/A

To be complete, a rate/rule filing must include the following:

1. A completed Rate/Rule Filing Transmittal document (PC RRFS-1) (Do not refer to the body of the filing for the component/exhibit listing.) and,
2. A completed Property & Casualty Transmittal Document (PC TD-1) and,
3. One copy of all rate/rule components/exhibits submitted with the filing, and
4. The appropriate state review requirements, if required, and
5. The appropriate filing fees, if required, and
6. A postage-paid, self-addressed envelope large enough to accommodate the return

You should refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

**ILLINOIS CERTIFICATION FOR
MEDICAL MALPRACTICE RATES**

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, Adam C. Reed, a duly authorized officer of National Union Fire Insurance Company of Pittsburgh, Pa., am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, Mary Gaillard, a duly authorized actuary of National Union Fire Insurance Company of Pittsburgh, Pa., am authorized to certify on behalf of National Union Fire Insurance Company of Pittsburgh, Pa. making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

Adam Reed
Assistant Vice President
Signature and Title of Authorized Insurance Company Officer

3/6/12
Date

Mary Gaillard
Vice President & Associate Actuary
Signature, Title and Designation of Authorized Actuary

3/2/12
Date

Insurance Company FEIN: 25 - 0687550 Filing Number: AIC-05-EO-06

Insurer's Address : 175 Water Street

City : New York State: New York Zip Code: 10038

Contact Person's:

-Name and E-mail Carol Elliston Filings Analyst

-Direct Telephone and Fax Number: Telephone: (212) 458 - 7056

Fax: (212) 458-7077

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.
DENTAL PROFESSIONAL LIABILITY PROGRAM**

**Explanatory Memorandum
ILLINOIS**

The National Union Fire Insurance Company of Pittsburgh, P.A. is proposing to increase rates for the Dental Professional Liability Program by 22.04%. The rate change consists of a base rate increase and the implementation of a new class plan. Since National Union has only been a carrier for this program for one year there is no credible loss data for this program. Therefore, the indicated rate level change is based on the most recent underlying Redwoods Group's historical countrywide data.

EXHIBIT 1: *CALCULATION OF INDICATED RATE LEVEL CHANGE*

Due to the fact that specific state experience for this program was not available, ultimate developed, trended and on-level results are shown for Redwoods Group's countrywide loss experience for this program. Countrywide earned premiums have been adjusted to the present rate level by using the standard parallelogram method. Incurred losses and lae are trended to one year past the proposed effective date, in order to reflect changes in frequency and severity subsequent to the experience period. The indicated rate level change is based on a comparison of the credibility weighted loss ratio to the expected loss ratio. An offset for investment income is applied to the calculation of the target profit & contingency.

EXHIBIT 2: *DEVELOPMENT OF REPORTED INCURRED LOSS AND LAE TO ULTIMATE*

Countrywide calculation of ultimate loss and LAE ratios is shown for the most recent five years. Ratios are based on calendar year earned premiums and accident year ultimate loss and LAE, including unallocated LAE (ex 6.).

EXHIBIT 3: *INCURRED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT*

Accident Year Loss and Allocated Loss Adjustment Expense experience for the Redwoods Groups Dental Professional Liability Program is shown as of 12/04, age to age factors and the corresponding age to ultimate development factors (exhibit 3). These factors are then applied to the countrywide loss experience.

EXHIBIT 4: *TREND ANALYSIS*

Calculation of annual trend is based on the most recent ISO Physicians, Surgeons & Dentists professional liability trend experience. The trend period extends from the midpoint of each accident year to one year beyond the assumed effective date.

EXHIBIT 5: *EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO*

Expense provisions are based on the expenses found for Medical Malpractice in the American Home/National Union/New Hampshire group Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 12%.

EXHIBIT 6: *DETERMINATION OF UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR*

The unallocated loss adjustment expense provision is determined using data from the Healthcare professional liability cost statements for the five most recent years. The factor is expressed as a percentage of total incurred losses and allocated loss adjustment expense.

EXHIBIT 7: *INVESTMENT INCOME EXHIBITS*

The investment income exhibits are based on American Home/ National Union/ New Hampshire Group's Annual Statement experience and incorporate the Other Liability premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.

Exhibit 1

DENTAL PROFESSIONAL LIABILITY

(\$ IN 000'S)

DETERMINATION OF RATE LEVEL INDICATION

Accident Year	(1) Total Limits Premium at Present Rates (Note A)	(2) Total Limits Ultimate Loss & LAE (Exhibit 2)	(3)=(2)/(1) Ultimate Loss & LAE Ratio	(4) Trend Factor (Exhibit 4) (Note B)	(5)=(3)*(4) Trended Loss & LAE Ratio	Weight
COUNTRYWIDE Based on Redwoods Group's historical countrywide data						
(1) 2000	4419	1,887	0.427	1.397	0.597	
(2) 2001	4580	3,062	0.669	1.325	0.886	0.10
(3) 2002	5157	2,410	0.467	1.256	0.587	0.20
(4) 2003	6146	5,468	0.890	1.190	1.059	0.30
(5) 2004	6476	7,976	1.232	1.128	1.389	0.40
	26,777	20,804				

CW

(6) Weighted Average Ultimate Trended Loss and LAE Ratio	1.079
(6a) Credibility Weights (Note C):	0.778
(6b) Credibility Weighted Ultimate Loss & LAE Ratio (Note D):	1.023
(7) Target Loss & LAE Ratio [Exhibit 5]	0.755
(8) Indicated Rate Level Change [(6b)/7] - 1	35.5%
(9) Selected Rate Level Change	22.0%
(10) Illinois Written Premium	80,411
(11) Written Premium Change (in dollars)	17,725

NOTES:

- (A) The calculation of premium at present rates is done using the parallelogram method.
- (B) Trend periods extend from the midpoint of each accident year to one year past the assumed effective date. (Exh 4).
- (C) The credibility standard is 683 claims for the experience period.
 $CW \text{ Credibility} = \text{Square Root}(\text{Sum of CW claims}/683)$
- (D) Credibility Weighted Ultimate Loss & LAE Ratio =
 $[CW(6)*CW(6a) + \{1 - CW(6a)\} * \text{Trended ELR}]$
- (E) Bornhutter-Ferguson Methodology used to develop ultimate loss & lae, i.e.,
 $\text{Ultimate Loss \& LAE} = EPXELRX[1 - 1/LDF] + \text{reported incurred loss \& lae}$

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.

Exhibit 2

DENTAL PROFESSIONAL LIABILITY

(\$ IN 000'S)

DETERMINATION OF ULTIMATE LOSS AND LOSS ADJUSTMENT EXPENSE RATIOS

Accident Year	(1) Total Limits Earned Premium	(2) Total Limits Reported Incurred Loss & ALAE (Exhibit 3B)	(3) Loss Development Factors (Exhibit 3A)	(4)=(2)*(3) Ultimate Loss & L.A.E. (Incl. 1.5% Unalloc L.A.E.)	(5)=(4)/(1) Ultimate Loss & L.A.E. Ratio
COUNTRYWIDE					
Based on Redwoods Group's historical countrywide data					
2000	3,730	1,250	1.487	1,887	0.506
2001	3,852	1,522	1.982	3,062	0.795
2002	4,511	891	2.664	2,410	0.534
2003	5,599	1,234	4.368	5,468	0.977
2004	6,250	780	10.081	7,976	1.276
Total	23,942	5,677		20,804	0.869

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.

Exhibit 3

Redwoods Dentists Group- Dentists Program

(\$ in 000'S)

COUNTRYWIDE

TOTAL LIMITS INCURRED LOSSES & LOSS ADJUSTMENT EXPENSE AS OF 12/2004

Based on Redwoods Group's historical countrywide data

Accident Year	12	24	36	48	60	72	84	96	108	120
1995	112	381	827	852	1,177	1,475	2,456	2,446	2,501	2,515
1996	384	627	552	795	1,692	1,699	1,829	1,971	1,983	
1997	175	474	690	1,110	1,216	1,357	1,504	1,589		
1998	232	449	948	1,144	1,232	1,443	1,446			
1999	17	263	710	1,171	1,255	1,459				
2000	275	480	622	796	1,250					
2001	356	664	1,151	1,522						
2002	362	559	891							
2003	311	1,234								
2004	780									

INCURRED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT

Accident Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120- ULT
1995	3.413	2.171	1.030	1.381	1.253	1.665	0.996	1.022	1.006	
1996	1.634	0.882	1.439	2.130	1.004	1.076	1.078	1.006		
1997	2.705	1.457	1.610	1.095	1.116	1.109	1.056			
1998	1.941	2.109	1.207	1.077	1.171	1.003				
1999	15.857	2.694	1.650	1.071	1.162					
2000	1.744	1.295	1.280	1.571						
2001	1.867	1.733	1.323							
2002	1.544	1.593								
2003	3.961									
2004										
Weighted Average	2.308	1.640	1.344	1.333	1.131	1.211	1.037	1.015	1.006	
4 Yr Weighted Average	2.223	1.715	1.351	1.173	1.104	1.211				
3 Yr Weighted Average	2.387	1.564	1.406	1.201	1.150	1.062	1.037			
2 Yr Weighted Average	2.662	1.669	1.308	1.274	1.167	1.054	1.068	1.015		
Selected Age-to-Age	2.308	1.640	1.344	1.333	1.131	1.211	1.037	1.015	1.006	
Ultimate Factors	10.081	4.368	2.664	1.982	1.487	1.315	1.085	1.046	1.031	1.025

**PHYSICIANS, SURGEONS, AND DENTISTS
OCCURRENCE AND CLAIMS-MADE POLICIES
MULTISTATE PAID TREND DATA**

	(1)	(2)	(3)	(4)	(5)	(6)
	100/300					
Policy	Aggregate	100/300	Number	Experience	Occurrence	Occurrence
Year	Loss Costs at	Basic Limit	of	Ratio	Severity	Frequency
Ending	Current Level	Losses	Occurrences	(2) ÷ (1)	(2) ÷ (3)	(3) ÷ (1)
6/30/1997	\$531,635,823	\$332,759,594	3,185	0.626	\$104,477	5.991
6/30/1998	577,073,819	366,728,223	3,336	0.635	109,931	5.781
6/30/1999	563,177,676	365,354,696	3,209	0.649	113,853	5.698
6/30/2000	542,402,759	347,289,445	2,866	0.640	121,176	5.284
6/30/2001	542,089,209	410,210,915	2,937	0.757	139,670	5.418
6/30/2002	671,629,094	446,987,253	3,019	0.666	148,058	4.495
6/30/2003	623,641,872	476,694,454	2,736	0.764	174,230	4.387
6/30/2004	524,364,547	486,914,995	2,664	0.929	182,776	5.080

Average Annual Trend

8 Years	4.8%	8.9%	-3.8%
R-Squared	0.698	0.966	0.672

7 Years	5.5%	9.6%	-3.8%
R-Squared	0.694	0.973	0.577

6 Years	6.5%	10.6%	-3.7%
R-Squared	0.682	0.981	0.452

ISO-Selected	5.5%
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Physicians, Surgeons, and Dentists multistate data excludes Alaska, Massachusetts, New York, Rhode Island and Texas.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.
DENTISTS PROFESSIONAL LIABILITY PROGRAM**

Exhibit 5

Derivation of Expected Loss Ratio

(1) Target rate of return on equity		12.0%
(2) Premium to Surplus Ratio		142.5%
(3) Target rate of return on premium [(2)/(3)]		8.4%
(4) Rate of return on premium		9.9%
(5) Target underwriting profit (loss) [(3)-(4)/.65]		-2.2%
(6) Total Expenses		26.7%
	a. Commissions	17.50%
	b. Other Acquisition	4.27%
	c. General Expenses	1.73%
	d. Taxes, Licenses & Fees	3.20%
<hr/>		
(7) Expected Loss Ratio [1-(6)-(5)]		75.5%

AMERICAN HOME/ NATIONAL UNION/ NEW HAMPSHIRE GROUP

Exhibit 6

(000's)

Determination of Unallocated Loss Adjustment Expense Provision
(SOURCE: COMPANY COST STATEMENTS)

ITEM	2000	2001	2002	2003	2004	5-Year Average
(1) Losses Paid	58,999	139,882	186,248	241,104	271,474	179,541
(2) Changes in Unpaid Losses	59,225	9,761	138,853	212,932	273,715	138,897
(3) Losses Incurred (1) + (2)	118,224	149,643	325,101	454,036	545,189	318,439
(4) Allocated Loss Adjustment Expenses	13,285	36,789	56,436	77,932	76,023	52,093
(5) Total Loss & ALAE (3) + (4)	131,509	186,432	381,537	531,968	621,212	370,532
(6) Unallocated Loss Adjustment Expenses	3,145	4,857	4,665	7,428	7,550	5,529
(7) Unallocated Loss Expense Ratio (6)/(5)	2.4%	2.6%	1.2%	1.4%	1.2%	1.5%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Health Professional Liability

A. UNEARNED PREMIUM RESERVE

1.	Health Professional Liability Direct Earned Premium for Calendar Year 2004		\$99,787
2.	Mean Unearned Premium Reserve $[0.415 * (1)]$ (See Notes p. 2)		41,431
3.	Deduction for Prepaid Expenses (See notes p. 2)		
	a) Commission and Brokerage	17.50%	
	b) Taxes, Licenses and Fees	3.20%	
	c) 50% of Other Acquisition Expenses	2.14%	
	d) 50% of General Expenses	0.87%	
	e) Total	23.71%	
4.	Deduction for Federal Taxes Payable (See Notes p. 2)		7.0%
5.	Net Amount Subject to Investment Income $[(2) \times (1.000 - (3) - (4))]$		28,709

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium $[(A.1)]$	99,787
2.	Average Agents' Balance (See Notes pp. 2-3)	0.086
3.	Delayed Remission $[(1) \times (2)]$	8,569

C. LOSS RESERVE:

1.	Direct Earned Premium $[(A.1)]$	99,787
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR: 0.755 75,343
3.	Expected Mean Loss Reserves $[2.010 \times (2)]$ (See Notes p. 3)	151,431

D. SURPLUS

1.	Direct Written Premium	108,559
2.	Surplus Subject to Investment $[(D.1)/\text{prem to surp}]$	76,182

E. NET AMOUNT SUBJECT TO INVESTMENT: $[(A.5) - (B.3) + (C.3) + (D.2)]$ 247,752

F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.63%

G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT $[(E) \times (F)]$ 11,474

H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) $[(G) / (A.1)]$ 11.50%

I. AVERAGE RATE OF RETURN (After Federal Income Taxes) $[(H) \times 0.858]$ 9.86%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Health Professional Liability

Line A.1

Health Professional Liability direct earned premium for calendar year 2004 as provided by American Home/National Union/ New Hampshire Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Health Professional Liability direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2004. See below for calculation of this ratio. This ratio is based on data for Health Professional Liability from page 15 of the Annual Statement for American Home/National Union/ New Hampshire Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2004	\$ 99,787
3. Direct Unearned Premium Reserve as of 12/31/03	37,045
3. Direct Unearned Premium Reserve as of 12/31/04	45,817
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	41,431
5. Ratio [(4) / (1)]	0.415

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Health Professional Liability

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	(In 000's)
1. Net Earned Premium for Calendar Year 2004	\$ 18,980,566
2. Net Agents' Balances as of 12/31/03	1,084,441
3. Net Agents' Balances as of 12/31/04	1,793,241
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	1,438,841
5. Ratio $[(4) / (1)]$	0.076

The above percentage must be multiplied by a factor of 1.133 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.133 is based on 2004 company data.

Final adjusted Agents' Balance:

0.0859

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2002 and 2003 for Health Professional Liability Insurance. This ratio is based on Annual Statement Data.

	(In 000's)
1. Incurred Losses and L.A.E. for Calendar Year 2003	62,933
2. Incurred Losses and L.A.E. for Calendar Year 2004	68,660
3. Loss Reserves and L.A.E. as of 12/31/02	113,660
4. Loss Reserves and L.A.E. as of 12/31/03	136,765
5. Loss Reserves and L.A.E. as of 12/31/04	168,311
6. Mean Loss Reserve 2003: $1/2 [(3) + (4)]$	125,213
7. Mean Loss Reserve 2004: $1/2 [(4) + (5)]$	152,538
8. Ratio $(6) / (1)$	1.990
9. Ratio $(7) / (2)$	2.222
10. Average Ratio $1/2 [(8) + (9)]$	2.106
11. Loss reserve for American Home/National Union/ New Hampshire Group, selected	2.110
12. Estimated Reserve Discount	13.6%
13. Federal Taxes Payable (% of Reserves): $(12) \times .35$	0.047
14. $(11) \times [1.0 - (13)]$	2.010

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Health Professional Liability

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	<u>Net Investment Income Earned (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2003	1,098,463	31,308,536	3.51%
2004	1,658,579	40,311,865	4.11%
Total	2,757,042	71,620,402	3.81%

<u>Year</u>	<u>Realized Capital Gains (or Losses) (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
1995-2004	2,270,042	276,969,960	0.82%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.63%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2004 for the American Home/National Union/ New Hampshire Group.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.81%	0.098
Net Realized Capital Gains (or Losses)	0.82%	0.350
Total	4.63%	0.142

1.000 - Federal Income Tax Rate

0.858

AMERICAN HOME/NATIONAL UNION/NEW HAMPSHIRE GROUP

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Exhibit
Page

Health Professional Liability

Line H (continued)

	Investment Income Earned	Federal Income Tax Rate
<u>Bonds</u>		
Taxable	\$ 218,467	0.350
<u>Non-Taxable</u>	<u>680,890</u>	<u>0.026</u>
Total	\$ 899,357	(A) 0.105
<u>Stocks</u>		
Taxable	\$ 125,031	0.123
<u>Non-Taxable</u>	<u>484,404</u>	<u>---</u>
Total	\$ 609,436	(B) 0.025
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	187	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	18,350	
<u>All Other</u>	<u>314,970</u>	
Sub-Total	\$ 333,508	0.350
Total	\$ 1,842,300	0.123
Investment Deductions	\$ 183,722	0.350
Net Investment Income Earned	\$ 1,658,579	0.098

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%. $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12% $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, P.A.
DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE
RATE PLAN
ILLINOIS**

RATES

1. PROFESSIONAL LIABILITY 1ST YEAR CLAIMS MADE BASE PREMIUMS

A. Limit of Liability	Base Premium
\$100,000 each claim/\$300,000 aggregate	694

B. Territory Relativity Factors

Territory	Relativity
Terr 1 Cook County	1.000
Terr 2 DuPage, Lake and Kane Counties	0.550
Terr 3 #N/A	0.501

2. CLASS PLAN RELATIVITY FACTORS

Class	Factor
1	1.000
2	1.230
3	3.329
4	5.660
5	6.119

3. POLICY TYPE FACTORS

A. Claims Made Year	Factor
Year 1	1.00
Year 2	1.82
Year 3	2.45
Year 4	2.73
Year 5	3.03
B. Occurrence	3.33

4. INCREASED LIMIT FACTORS

A. Increased Limit	Factor
\$100,000/\$ 300,000	1.00
\$200,000/\$ 600,000	1.14
\$500,000/\$1,500,000	1.33
\$1,000,000/\$3,000,000	1.56
\$2,000,000/\$4,000,000	1.64
\$3,000,000/\$3,000,000	1.72
\$5,000,000/\$5,000,000	1.80

DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE

5. MINIMUM PREMIUMS

A. Limit of Liability	Minimum
\$100,000/\$ 300,000	\$425
\$200,000/\$ 600,000	\$485
\$500,000/\$1,500,000	\$565
\$1,000,000/\$3,000,000	\$663
\$2,000,000/\$4,000,000	\$697
\$3,000,000/\$3,000,000	\$802
\$5,000,000/\$5,000,000	\$1,000

6. EXTENDED REPORTING PERIOD FACTORS

A. Number of Years of Prior Acts	Factor to be Multiplied by the Mature Claims Made Premium
1 Year	0.80
2 Year	1.20
3 Year	1.45
4 Year	1.60
5 OR MORE YEARS	1.80

7. NEW DENTIST DISCOUNT FACTORS

A. Years in Practice	Factor
First Year	0.50
Second or Third Year	0.75

8. PART TIME DENTIST DISCOUNT FACTOR

A. Number of Hours in Practice	Factor
20 hours or less per week	0.50
21 hours or more per week	1.00

9. FACULTY DISCOUNT FACTORS

A. Appointment Status	Factor
Full-Time	0.70
Half-Time	0.80
Part-Time	0.90
Zero-Time	1.00

10. WAIVER OF CONSENT DISCOUNT FACTOR

0.90

11. RISK MANAGEMENT EDUCATION FACTOR

0.90

DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE

12. CLAIM FREE CREDIT DISCOUNT FACTORS

A. Years	Factor
10 + years claim free	0.90
9 years claim free	0.91
8 years claim free	0.92
7 years claim free	0.93
6 years claim free	0.94
5 years claim free	0.95
4 years claim free	0.96
3 years claim free	0.97
2 years claim free	0.99
1 years claim free	0.99

13. CLAIMS EXPERIENCE DEBIT

A. TOTAL OF ALL CLAIMS AMOUNT

	1 loss	2 losses	3 losses	4 losses
\$0 - \$3,000	1.05	1.10	1.15	1.20
\$3,001 - \$10,000	1.10	1.15	1.20	1.25
\$10,001 - \$20,000	1.15	1.20	1.25	1.30
\$20,001 - \$30,000	1.20	1.25	1.30	1.35
\$30,001 - \$40,000	1.25	1.30	1.35	1.40
\$40,001 +	1.30	1.35	1.40	1.50

14. INDIVIDUAL RISK PREMIUM MODIFICATIONS

	Range of Modifications	
	<u>Credits</u>	<u>Debits</u>
Operational controls and procedure mix, such as but not limited to mandatory referrals for extractions, use of consent forms, internal documentation practices, implant procedures and laser use, and extraction of impacted third molars.	10%	25%
Practice Characteristics, such as but not limited to single v. multiple locations, degree of severity presented by area of specialization, volume of patient traffic, number of years of patient experience.	10%	25%
Loss Control procedures, such as but not limited to training and retraining of all employees on the safest way to do their job; promoting safety awareness; conducting frequent safety inspections of all work areas; having an office safety program; using proper sterilization techniques to ensure environmental is free from the possibility of contamination from blood-borne pathogens.	10%	25%
Claim peculiarities, such as but not limited to who was responsible for the loss (Insured Dentist, Employee of Insured Dentists, Partner, Independent Contractor- this is for the respondeat superior or indemnity exposures); frequency or lack of administrative actions such as peer review, office of professional discipline or dental board complaints; frequency or lack of claims for return of fees	10%	25%

Maximum Debit/Credit=25%

DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE

15. ADDITIONAL INSURED'S PREMIUM CHARGE FACTOR

10% Premium Charge	Factor 1.10
--------------------	-----------------------

16. BOARD EXAMINATION COVERAGE PREMIUM CHARGE

Premium Charge	\$20
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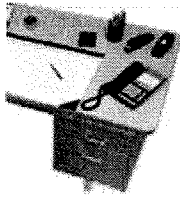
17. MEDICAL WASTE DEFENSE EXPENSES REIMBURSEMENT COVERAGE

Premium Charge	\$50
----------------	------

18. DISABILITY OR LEAVE OF ABSENCE

75% Premium Discount	Factor 0.25
----------------------	-----------------------

Rev. 10/05



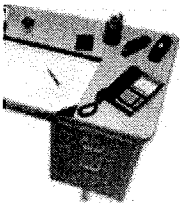
Gayle Neuman/INS
01/05/2006 10:52 AM

To carole.elliston@aig.com
cc
bcc
Subject Fw: Dental Professional Liability - Rate/Rule Filing
#AIC-05-EO-06

Ms. Elliston,

As of January 5, 2006, we have not received a response to the attached e-mail. Please advise.

----- Forwarded by Gayle Neuman/INS on 01/05/2006 10:50 AM -----



Gayle Neuman/INS
11/14/2005 03:48 PM

To carole.elliston@aig.com
cc
Subject Dental Professional Liability - Rate/Rule Filing
#AIC-05-EO-06

Ms. Elliston,

We are in receipt of the above referenced filing number submitted by letter dated November 7, 2005. Please address the following:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. Please complete the certification form at the bottom of the page.
2. Indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?
3. Are the pages in the rate/rule manual provided with this filing to replace the pages filed July 1, 2004 that were titled "Dental Professional and Premises Liability Insurance, Manual of Rate and Rules, State of Illinois"? There were nine pages - are they all being replaced by the 5 pages?
4. In regard to the pending rate/rule filing referenced above, please provide additional information about the filed scheduled rating plan, including the following information:
 - a) Specific breakdowns of actual debits/credits and detailed descriptions of criteria for applying scheduled debits/credits. For example,
if the manual indicates a credit/debit of 0-20% will be applied depending on the existence/quality of a loss control program, provide
specific descriptions of criteria used to judge the existence and quality of such loss control program, as well as the specific amount
of debit/credit that will be applied to such criteria.
 - b) Whether the scheduled rating plan will be applied to all applicants/insureds. If not, provide a specific explanation of which applicants/
insureds will be considered.
 - c) Whether the schedule debits/credits are reviewed periodically to ensure that they are still justified and added/removed accordingly.
If the scheduled debits/credits are reviewed periodically, provide the time intervals for such reviews. If

principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, _____ (Name of actuary typed or printed) _____, a duly authorized actuary of _____ (Name of actuary firm typed or printed) _____ am authorized to certify on behalf of _____ (Name of Insurance Company) making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

Signature and Title of Authorized Insurance Company Officer

Date

Signature, Title and Designation of Authorized Actuary

Date

Insurance Company FEIN ___ - _____ Filing Number _____

Insurer's Address _____

City _____ State _____ Zip Code _____

Contact Person's:

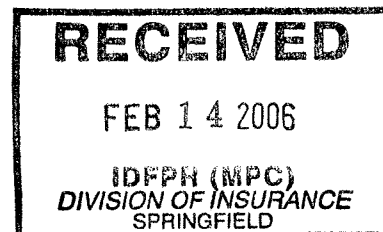
-Name and E-mail _____

-Direct Telephone and Fax Number _____



American International Companies®
DBG Legal Services
State Filings Department
175 Water Street, 17th Floor
New York, NY 10038
212.458. (Direct Dial)

February 10, 2006



Honorable Michael T. McRaith
Director of Insurance
Illinois Department of Insurance
320 West Washington Street, 4th Floor
Springfield, Illinois 62767-0001
Attn.: Mr. John Gatlin
Supervisor, Property and Casualty Compliance Unit

RE: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NAIC # 012-19445, FEIN # 25-0687550
Dental Professional Liability Program
Illinois Corrected Rate Pages
Our Filing Number: AIC-05-EO-06

Dear Mr. Gatlin:

National Union Fire Insurance Company of Pittsburgh, Pa. submits the attached corrected Rate Pages for its Dental Professional Liability Program currently pending with your department.

We regret that there was a typographical error under the Claims Free Credit Discount Factor section of the Rates. The "2 years claim free" factor should read .98 and not .99 as was originally submitted.

We apologize for any confusion this may have caused. Please call if you have any questions.

Sincerely,

Carol Elliston
Filings Analyst
State Filings Department
Direct Dial: (212) 458-7056
Fax No.: (212) 458-7056



"Elliston, Carol"
<Carole.Elliston@AIG.com>
03/06/2006 03:08 PM

To "Gayle_Neuman@ins.state.il.us"
<Gayle_Neuman@ins.state.il.us>
cc
bcc
Subject Illinois-Dental Professional Liability - Rate/Rule -
AIC-05-EO-06

Hi Gayle,

I apologize for the delay in responding back to you. In response to your e-mail below, please see attachments.

Carol Elliston

-----Original Message-----

From: Gayle_Neuman@ins.state.il.us [mailto:Gayle_Neuman@ins.state.il.us]
Sent: Monday, November 14, 2005 4:49 PM
To: carole.elliston@aig.com
Subject: Dental Professional Liability - Rate/Rule Filing #AIC-05-EO-06

Ms. Elliston,

We are in receipt of the above referenced filing number submitted by letter dated November 7, 2005. Please address the following:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. Please complete the certification form at the bottom of the page.
2. Indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?
3. Are the pages in the rate/rule manual provided with this filing to replace the pages filed July 1, 2004 that were titled "Dental Professional and Premises Liability Insurance, Manual of Rate and Rules, State of Illinois"? There were nine pages - are they all being replaced by the 5 pages?
4. In regard to the pending rate/rule filing referenced above, please provide additional information about the filed scheduled rating plan, including the following information:
 - a) Specific breakdowns of actual debits/credits and detailed descriptions of criteria for applying scheduled debits/credits. For example,
if the manual indicates a credit/debit of 0-20% will be applied depending on the existence/quality of a loss control program, provide
specific descriptions of criteria used to judge the existence and quality of such loss control program, as well as the specific amount
of debit/credit that will be applied to such criteria.
 - b) Whether the scheduled rating plan will be applied to all applicants/insureds. If not, provide a specific

policy rates that are the subject of this filing.

I, _____ (Name of actuary typed or printed) _____, a duly authorized actuary of _____ (Name of actuary firm typed or printed) _____ am authorized to certify on behalf of (Name of Insurance Company) making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

Signature and Title of Authorized Insurance Company Officer

Date

Signature, Title and Designation of Authorized Actuary

Date

Insurance Company FEIN ____ - _____ Filing Number _____

Insurer's Address _____

City _____ State _____ Zip Code _____

Contact Person's:

-Name and E-mail _____

-Direct Telephone and Fax Number _____



03-06-06-IL-Responded to the state via e-mail.pdf 03-06-06-IL-Signed Certification.pdf 03-06-06-IL-Rating Worksheet.pdf



American International Companies®

Mailing Address:
DBG Legal Services
State Filings Department
175 Water Street, 17th Floor
New York, NY 10038
Tel: (212) 458-7056

VIA E-MAIL

March 6, 2006

Ms. Gayle Neuman
Property & Casualty Compliance Unit
Illinois Department of Financial & Professional Regulation
320 West Washington Street, 4th Floor
Springfield, Illinois 62767-0001

RE: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NAIC #012-19445 FEIN #25-0687550
Dental Professional Liability Program
Illinois Certification
Rating Worksheet
Filing Number: AIC-05-EO-06

Dear Ms. Neuman:

The above reference company acknowledges receipt of your E-mail dated November 14, 2005 regarding the Dental Professional Liability Program. In response to your comments, we offer the following:

1. As you requested, please find attached a signed Illinois Certification.
2. National Union Fire Insurance Company of Pittsburgh, P.A. is a member of statistical agencies and rating bureaus such as ISO and NCCI and reports its data to those organizations accordingly. Healthcare Agency Professional Liability is an independent program and as such reports its data to ISO as non-bureau (policy type 90).
3. Please be advised that both the rate sheet and rules replace the previously combined rates and rules manual (9 pages). They have just been separated into 2 separate documents for ease of filing in the future. The rules rarely undergo revision whereas it is occasionally necessary to file rate changes.
- 4 a The debits/credits are based on the underwriters evaluation of how the individual risk compares to the average risk. Our underwriters do their best to be consistent in their evaluation of exposures and application of debits. In this filing we are attempting to mitigate the judgmental factors to some extent by filing a class plan. We have used scheduled credits to differentiate procedures in the past but using a class plan will help to make this process less discretionary.

- b The scheduled rating plan applies to all existing insured's as well as new applicants relative to how their exposures relate to the "typical" insured.
 - c We review and monitor credits/debits on a regular basis as it relates to the overall profitability of the book. Each individual insured is reviewed annually at renewal and evaluated based on changes in the practice. We retain a renewal application or renewal certification letter annually to monitor the individual practice and any credits/debits are adjusted accordingly.
 - d Scheduled debits/credits are subjectively determined by the under writing area using their best judgment.
 - e. Please see the attached sample of the scheduled rating.
5. Please see the attached signed Illinois Certification.

We trust that this information will enable you to complete your review of this filing and grant us an approval. Should you need any additional information, please do not hesitate to contact me.

Thank you for your further consideration of our submission.

Sincerely,

/s/

Carol Elliston
Filings Analyst
State Filings Department
Direct dial (212) 458-7056
Fax No.: (212) 458-7077
carole.elliston@aig.com

**A.I.G/NATIONAL UNION FIRE INS. CO.
THE REDWOODS GROUP, INC.
DENTAL PROFESSIONAL LIABILITY PROGRAM**

RATING WORKSHEET

Insured Name:

Date:

Risk State:

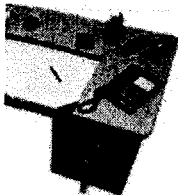
Policy Effective Date:

Policy Number

Limits:

1. Base Premium
2. Policy Type Factor
3. Increased Limit Factors
4. Fixed Discounts
 - a. New Dentist
 - b. Part Time Dentist
 - c. Faculty Discount
 - d. Waiver of Consent
 - e. Risk Management
 - f. Continuing Education
 - g. Claim Free Modification
 - h. Claim Experience Debit
5. Total
6. IRPM
7. Additional Insd.
8. Total Premium
9. E.R.P Factor
10. E.R.P Premium

Documentation for IRPM:



Gayle Neuman/INS
03/08/2006 01:34 PM

To "Elliston, Carol" <Carole.Elliston@AIG.com>

cc

bcc

Subject Re: Illinois-Dental Professional Liability - Rate/Rule -
AIC-05-EO-06

Ms. Elliston,

We have one more issue to address in the manual. On the claims-made coverage forms, the extended reporting period must be offered when the policy is cancelled or nonrenewed for any reason including nonpayment of premium, and whether the policy is cancelled by the company or at the insured's request, pursuant to Company Bulletin CB88-50. Extended reporting period (tail coverage) premium must be priced as a factor of one of the following: (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. The form must list the factor(s) to be used to figure the premium, which of the three premiums the factor will be applied to, and any credits, discounts, etc. that will be added or removed when determining the final premium. The company must inform the insured of the extended reporting period premium at the time the last policy is purchased. The company may not wait until the insured requests purchase of the extended reporting period coverage to tell the insured what the premium will be or how the premium will be calculated.

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance Unit, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting a paper filing or an electronic filing (SERFF). The checklists can be accessed through our website at http://www.idfpr.com/DOI/Prop_Cas_IS3_Checklists/IS3_Checklists.htm.

THIS MESSAGE IS INTENDED FOR THE SOLE USE OF THE ADDRESSEE AND MAY BE CONFIDENTIAL, PRIVILEGED AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF YOU RECEIVE THIS MESSAGE IN ERROR, PLEASE DESTROY IT AND NOTIFY US BY SENDING AN E-MAIL TO: gayle_neuman@ins.state.il.us



"Elliston, Carol"
<Carole.Elliston@AIG.com>

03/23/2006 09:34 AM

To "Gayle_Neuman@ins.state.il.us"
<Gayle_Neuman@ins.state.il.us>

cc

bcc

Subject RE: Illinois-Dental Professional Liability - Rate/Rule -
AIC-05-E O-06

I forgot to attach the endorsement.

Ms. Neuman,

Please see the attached Illinois Changes Endorsement (86049(6/04)-approved effective 11/9/04 under filing number AIC-04-EO-13). Please take a look on page 2 the changes made to the Extended Reporting Period Section of the policy. Are you requesting that we revise this form to comply with your request as this endorsement would be issued with the insured's claims made policy. If so, please advise as to what we need to add to the form to comply or should we just use the language from your e-mail below?

If this is not your intent, please advise how we might revise the Rate and Rule filing to comply with your request.

Carol Elliston

-----Original Message-----

From: Gayle_Neuman@ins.state.il.us [mailto:Gayle_Neuman@ins.state.il.us]

Sent: Wednesday, March 08, 2006 2:35 PM

To: Elliston, Carol

Subject: Re: Illinois-Dental Professional Liability - Rate/Rule - AIC-05-EO-06

Ms. Elliston,

We have one more issue to address in the manual. On the claims-made coverage forms, the extended reporting period must be offered when the policy is cancelled or nonrenewed for any reason including nonpayment of premium, and whether the policy is cancelled by the company or at the insured's request, pursuant to Company Bulletin CB88-50. Extended reporting period (tail coverage) premium must be priced as a factor of one of the following: (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. The form must list the factor(s) to be used to figure the premium, which of the three premiums the factor will be applied to, and any credits, discounts, etc. that will be added or removed when determining the final premium. The company must inform the insured of the extended reporting period premium at the time the last policy is purchased. The company may not wait until the insured requests purchase of the extended reporting period coverage to tell the insured what the premium will be or how the premium will be calculated.

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance Unit, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

ENDORSEMENT NO.

This endorsement, effective 12:01 AM:

Forms a part of policy no.:

Issued to:

By:

ILLINOIS CHANGES

The following provisions are added to section **II. Exclusions, c:**

- (3) However, notwithstanding the foregoing, the insured shall be protected under the terms of this policy as to any claim and /or allegation which may be covered by the policy upon which suit may be brought against him, for any such alleged behavior by an insured unless a judgment or a final adjudication adverse to the insured shall establish that such behavior occurred as an essential element of the cause of action so adjudicated.

The following provisions are added to section **VII. CONDITIONS:**

J. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing to us advance written notice of cancellation.
2. We may cancel this policy by mailing to you written notice stating the reason for cancellation. If we cancel for:
 - a. Nonpayment of premium, we will mail the notice at least 10 days prior to the effective date of cancellation.
 - b. Any reason other than nonpayment of premium, we will mail the notice at least:
 - (1) 30 days prior to the effective date of cancellation if the policy has been in effect for 60 days or less.
 - (2) 60 days prior to the effective date of cancellation if the policy has been in effect for more than 60 days.
3. If this policy has been in effect for more than 60 days, we may cancel only for one or more of the following reasons:
 - a. Nonpayment of premium;
 - b. The policy was obtained through a material misrepresentation;
 - c. Any insured has violated any of the terms and conditions of the policy;
 - d. The risk originally accepted has measurably increased;
 - e. Certification of the Director of Insurance of the loss of reinsurance by the insurer that provided coverage to us for all or a substantial part of the underlying risk insured; or
 - f. A determination by the Director of Insurance that the continuation of the policy could place us in violation of the insurance laws of this State.

K. NONRENEWAL

1. If we decide not to renew this policy, we will mail written notice stating the reason for nonrenewal no less than 60 days before the expiration date to:
 - a. You; and
 - b. The broker, if known to us, or the agent of record.
2. Even if we do not comply with these terms, this policy will terminate:
 - a. On the expiration date, if:
 - (1) You fail to perform any of your obligations in connection with the payment of the premium for the policy, or any installment payment, whether payable directly to us or our agents or indirectly under any premium finance plan or extension of credit; or

86049 (8/04)
RP 0032 03 03

- (2) We have indicated our willingness to renew this policy to you or your representative; or
 - (3) The first Named Insured has notified us or our agent that he or she does not want to renew this policy.
- b. On the effective date of any other insurance replacing this policy.

L.Mailing Of Notices

We will mail cancellation and nonrenewal notices to you, and the agent or broker, at the last addresses known to us. Proof of mailing will be sufficient proof of notice.

The following changes have been made to **Section VIII. EXTENDED REPORTING PERIOD**

Item **A.1.**, the wording "other than non-payment of premium" has been deleted.

Item **A.3.a.**, has been deleted in its entirety.

Item **D.**, second paragraph, the wording to determine premium calculation will read, " We will determine the additional premium in accordance with the rates and the mature claims made premium determined at policy issuance.

All other term, conditions and exclusions of the policy remain unchanged.

Authorized Representative
or countersignature (where required by law)



"Elliston, Carol"
<Carole.Elliston@AIG.com>

04/11/2006 02:45 PM

To "Gayle_Neuman@ins.state.il.us"
<Gayle_Neuman@ins.state.il.us>

cc

bcc

Subject Illinois-Dental Professional Liability - Rate/Rule - AIC-05-E
O-0 6

Hi Ms. Neuman,

In response, please see the attached revised Illinois Rating Rule which revised Rule 13.C. on Page 3.

Should you need any additional information, please do not hesitate to contact me.

Sincerely,
Carol Elliston

-----Original Message-----

From: Gayle_Neuman@ins.state.il.us [mailto:Gayle_Neuman@ins.state.il.us]

Sent: Wednesday, March 29, 2006 2:49 PM

To: Elliston, Carol

Subject: Illinois-Dental Professional Liability - Rate/Rule - AIC-05-E O-06

Ms. Elliston,

I apologize for mentioning the term of "form" in my 3/8/06 e-mail.

On form 86049 that you provided, it states National Union Fire will determine the additional premium (for the extended reporting period) in accordance with the rates and the mature claims made premium determined at policy issuance. However, the language in the manual states the premiums shall be determined upon the rates and premiums in effect during the policy period immediately preceding the election to purchase such coverage.

In this correspondence, we are only concerned with the language in the manual. One factor of the extended reporting period (tail coverage) premium must be either (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. We realize other factors are also utilized.

Please provide a copy of the changed manual page. Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance Unit, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting a paper filing or an electronic filing (SERFF). The checklists can be accessed through our website at http://www.idfpr.com/DOI/Prop_Cas_IS3_Checklists/IS3_Checklists.htm.

THIS MESSAGE IS INTENDED FOR THE SOLE USE OF THE ADDRESSEE AND MAY BE
CONFIDENTIAL, PRIVILEGED AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF
YOU RECEIVE THIS MESSAGE IN ERROR, PLEASE DESTROY IT AND NOTIFY US BY SENDING AN



E-MAIL TO: gayle_neuman@ins.state.il.us 04-10-06-IL-Revised Illinois Rating Rules 4-06.pdf

**DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE
CLAIMS MADE AND OCCURRENCE RATING RULES**

1. COVERAGE

Professional Liability on an occurrence and claims made basis.

2. CLASS DESCRIPTION

Class 1 - General Dentist or Specialists in Orthodontic, Pediatric Dentistry, Periodontics Prosthodontics and Endodontics not performing minor or major surgery.*

Class 2 - Any Dentist performing implants involving osseointegration or minor surgical procedures.* General dentists or Specialists other than Oral Surgeons or Dental Anesthesiologists allowing (hosting) unconscious sedation outside of a hospital, but only if the sedation is administered by an Oral Surgeon, Dental or Medical Anesthesiologist or CRNA.

Class 3 - Specialists in Dental Anesthesiology or Oral Pathology.

Class 4 - Specialists in Oral and Maxillofacial Surgery or any Dentist performing major surgical procedures not included in Class 5 (administration of general anesthetic intended to cause unconsciousness must be administered in a hospital).

Class 5 - Specialist in Oral and Maxillofacial Surgery of any Dentist who administers, personally or by an employed/contracted anesthesiologist, any general anesthetic intended to cause unconsciousness if administered outside of a hospital setting, excluding "hosting" dentists under Class 2. Any Dentist performing major surgical procedures and procedures not otherwise classified.

*Procedures do not include the administration of a general anesthetic intended to cause unconsciousness unless administered in a hospital.

GENERAL RULES

3. PREMIUM BASE

Both occurrence and claims made rates apply on a per dentist basis for professional liability.

4. POLICY TERM

Policies will be written for a term of one year and renewed annually thereafter, subject to underwriting review.

5. FORMS PORTFOLIO

Refer to the forms portfolio for coverage forms, state amendatory and other special state endorsements.

6. PREMIUM COMPUTATION

- A. Compute the premium at inception using the rates in effect at that time. At each renewal, compute the premium using rates then in effect.
- B. Prorate the premium when policy is issued for other than one year.
- C. Premiums are calculated as specified for the respective coverage. Rounding to the nearest whole dollar amount (i.e. .50 and greater rounds up; .49 and below rounds down) is done after the computation of the final premium.
- D. Individual Risk Premium Modifications will be added together and applied as one modification to the premium.

7. ADDITIONAL PREMIUM CHARGE

- A. Prorate all changes requiring additional premium.
- B. Apply the rates and rules in effect on the effective date of the change.
- C. Waive additional premium of \$15.00 or less. The waiver only applies to cash exchange due on an endorsement effective date.

8. RETURN PREMIUM CHARGES

- A. Deletion of a mandatory coverage is not permitted unless the entire policy is canceled.
- B. Compute return premium at the rate used to calculate the policy premium.
- C. Compute return premium pro rata when any coverage or exposure is deleted or an amount of insurance is reduced.
- D. Waive return premium of \$15.00 or less. Grant any return premium if requested by the Insured. This waiver only applies to cash exchanges due on the endorsement effective date.

9. POLICY CANCELLATION

- A. Compute return premium pro rata when:
 - 1. A policy is canceled at the Company's request.
 - 2. The Insured no longer has a financial or an insurable interest in the subject of insurance.
 - 3. A policy is canceled and rewritten in the same Company or Company Group.
 - 4. A policy is canceled due to death, disablement or retirement.
- B. If cancellation is for any other reason than stated in A. above, compute the return premium at .90 of the pro rata unearned premium for the one-year period.
- C. Retain the Policy Writing Minimum Earned Premium when the Insured requests cancellation except when a policy is canceled as of the inception date. In the event of a cancellation, the minimum premium will be considered to be the annual premium charge with cancellation premium subject to the policy writing minimum earned premium. The policy writing minimum earned premium shall be \$250.00 per annual or lesser period, unless otherwise specified for the respective coverage.

10. LOCATION OF PRACTICE

The rates as shown in this manual contemplate the exposure as being derived from professional practice within the state and territory. An exception will be allowed for dentists who have a multi-state or multi-territory exposure. We will charge the rate of the state or territory in which the dentist has a majority of his/her practice exposure.

11. MINIMUM PREMIUM

If policy premium does not exceed the minimum premiums as outlined in the Rate Sheet, the minimum premium will be charged for an annual period. The Minimum Premium is not applicable to the New Dentist Discount.

12. TERMINATION OF COVERAGE (CLAIMS MADE COVERAGE ONLY)

Within thirty (30) days after the termination of coverage, as defined below, the Company will advise the Named Insured in writing of the automatic Extended Reporting Period coverage and the availability of, the premium for, and the importance of purchasing additional Extended Reporting Period coverage.

The Named Insured shall have the greater of sixty (60) days from the effective date of termination of coverage, or thirty (30) days from the date of mailing or delivery of such notice, to submit to the Company written acceptance of the Extended Reporting Period coverage.

Termination of Coverage, whether made by the Company or the Named Insured at any time, means either (1) cancellation or nonrenewal of a policy, or (2) decrease in limits, reduction of coverage, increased deductible or self-insured retention, new exclusion or any other change in coverage less favorable to the Insured.

13. EXTENDED REPORTING PERIOD COVERAGE (CLAIMS MADE COVERAGE ONLY)

The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

- A. The available limits of liability shall not exceed those afforded under the current policy.
- B. In the event of termination of coverage, as defined above, the Insured may purchase this coverage by giving the Company written notice, within sixty (60) days of such termination of coverage, or thirty (30) days from the date of mailing or delivery of such notice, of its intent to purchase, and by paying the appropriate premium.
- C. Extended Reporting Period premiums shall be calculated upon the rates and premiums in effect during the policy period immediately preceding the election to purchase such coverage.
- D. The Extended Reporting Period coverage shall not increase or reinstate the limits of liability of the terminated policy.
- E. There will be no charge for Extended Reporting Period coverage if the Insured:
 - 1. Dies, or
 - 2. Totally and permanently:
 - a. Becomes disabled; or
 - b. Retires after age 55 and has been insured for 5 consecutive years in a National Society of Dental Practitioners' (NSDP) sponsored claims made program.
- F. The Extended Reporting Period shall be Unlimited.

COVERAGE RULES

14. NEW DENTIST DISCOUNT

A discount will be applied to premium for New Dentists in year 1 through 3 of practice that meet the following criteria (see rate sheet):

Year 1 - The dentist has completed his or her training in dentistry within the previous six months of applying to the Redwoods Program, and his or her only contact with patients was in the course of training; or

Years 2 or 3 - The dentist who applies to the Redwoods Program is in his or her second or third year of post graduate practice.

15. PART TIME DENTIST

This discount shall apply to any dentist who works twenty (20) hours or less per week or less than an aggregate of 1,050 hours during the term of an annual policy.

The Part-Time discount is not applied to the Extended Reporting Period Endorsement unless the part-time practice did not exceed an average of 1,050 hours per year over the previous five consecutive policy years with an NSDP sponsored program. See rate sheet.

16. FACULTY DENTIST

A Faculty discount shall be applied to those dentists who are faculty members of an accredited dental school. The amount of the discount will be based on the hours spent teaching at the facility as defined below:

Full Time - 32 hours or more per week
Half Time - 16 to 31 hours per week
Part Time - 15 hours or less per week

To qualify for this discount, the applicant must submit a copy of his/her current letter of faculty appointment. See rate sheet.

17. WAIVER OF CONSENT

A premium discount shall be applied when the insured has waived the consent provision of the Coverage Agreements as indicated in endorsement 86029(6/04). This endorsement, and the accompanying premium modification, can not be added to a policy mid-term. See rate sheet.

18. RISK MANAGEMENT EDUCATION

A premium discount shall be applied to those dentists who participate in an approved risk management program. Approved risk management programs include but are not limited to completed risk management workshops, seminars, self-study, state dental society courses, accredited national organization courses, and courses completed from a previous insurer. See rate sheet.

19. CLAIM EXPERIENCE

Claim Free Credit

A premium discount will be applied to those dentists who have been without a chargeable loss based on the claim history of an individual dentist over the preceding five-year period. A chargeable loss is determined by adding all loss payments, outstanding reserves and loss adjustment expenses. See rate sheet.

Claim Experience Debit

Based on the claim history of an individual dentist over the preceding five-year period, a debit, based on a chargeable loss, shall be applied to the dentist's rate. A chargeable loss is determined by adding all loss payments, outstanding reserves and loss adjustment expenses. See rate sheet.

Debits will be adjusted each year, dependent upon annual review of claims experience.

20. INDIVIDUAL RISK PREMIUM MODIFICATIONS

Individual risk premium modification (IRPM) factors may be applied to reflect account characteristics not otherwise addressed. IRPM's are based on operational controls and procedure mix; practice characteristics; loss control procedures; and claim peculiarities. The total IRPM shall not exceed + or - 25%. See rate sheet.

21. POLICY CHANGE ENDORSEMENT

The policy change endorsement 86043(6/04), will be used to correct errors or mistakes on the Declarations page.

22. ADDITIONAL INSURED

Use endorsement 86037(6/04) to add additional insureds to the policy. If the Additional Insured is a Dental Health Maintenance Organization (DHMO) or Preferred Provider Organization (PPO) there is no charge for this coverage. See rate sheet.

23. BOARD EXAMINATION COVERAGE

Coverage can be restricted and provided only for students taking Board Examinations through an accredited institution, or for individuals (not students) who sit for Board Examinations and are candidates for certification and/or licensing as a dentist. See rate sheet.

Coverage is to be written on a separate policy as follows:

- A. On an occurrence basis only;
- B. Limits of Liability shall be \$1,000,000 each claim and \$3,000,000 aggregate; and
- C. The policy period will not exceed the length of time of the examination.

24. MEDICAL WASTE DEFENSE EXPENSES REIMBURSEMENT COVERAGE

Optional coverage for Medical Waste Defense Expenses Reimbursement Coverage is available with limits of \$50,000 applicable to defense costs only. See rate sheet.

25. LOCUM TENENS

Coverage for a substitute dentist (120 day maximum). Prior approval required by the Company.

26. MILITARY SERVICE

This rule shall apply to an Insured who is called into active military service.

The policy coverage for the affected individual will continue for those Dental Incidents arising before military service began, with all other policy coverages suspended for the duration of the dentist's military service including payment of premium.

At the time private practice is resumed, the coverage and premium payment will begin with the policy's expiration date adjusted in order to reflect the duration of the individual's intervening military service. The claims made step factor that was applicable at the time of suspension will be the one in effect at the time of coverage resumption.

The Insured must provide the Company with a copy of the affected individual's military papers showing the date in which active duty is to begin. Endorsement 86039(6/04) (claims made) or 86038(6/04) (occurrence) is to be used, as applicable, to suspend the policy coverage.

27. DISABILITY OR LEAVE OF ABSENCE

In contemplation of a reduction in exposure, and for a period of at least 45 days and no greater than 180 days, insured dentists shall be eligible for a "disability and/or leave of absence" premium reduction for the disability or absence period. "Disability or leave of absence" is defined as an injury, disease, medical condition or continuing education sabbatical that prevents an insured dentist from engaging in the practice of dentistry, other than in an emergency situation. This will apply retroactively to the first day of disability or leave of absence. See rate sheet.

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF
THE MEDICAL MALPRACTICE
RATE INCREASE OF:

HEARING NO. 06-HR-0777

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURG, PA
FILE NO. #AIC-05-EO-06

ORDER

I, Michael T. McRaith, Director of the Illinois Department of Financial and Professional Regulation, Division of Insurance hereby certify that I have read the entire Record in this matter and the hereto attached Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Timothy M. Cena, appointed and designated pursuant to Section 402 of the Illinois Insurance Code (215 ILCS 5/402) to conduct a Hearing in the above-captioned matter. I have carefully considered and reviewed the entire Record of the Hearing and the Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, attached hereto and made a part hereof.

I, Michael T. McRaith, being duly advised in the premises, do hereby adopt the Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer as my own, and based upon said Findings, Conclusions and Recommendations enter the following Order under the authority granted to me by Sections 155.18, 401, 402 and 403 of the Illinois Insurance Code (215 ILCS 5/155.18, 5/401, 5/402 and 5/403) and Article X of the Illinois Administrative Procedure Act (5 ILCS 100/10-5 et. seq.).

This Order is a Final Administrative Decision pursuant to the Illinois Administrative Procedure Act (5 ILCS 100/1 et. seq.). This Order is appealable pursuant to the Illinois Administrative Review Law (735 ILCS 3/101- et. seq.).

NOW IT IS THEREFORE ORDERED THAT:

- 1) National Union Fire Insurance Company of Pittsburg, PA, Filing #AIC-05-EO-06 is approved;
- 2) National Union Fire Insurance Company of Pittsburg, PA shall pay as costs of this proceeding, within 35 days of the date of this Order, the sum of \$190.00, directly to the Illinois Division of Insurance, Tax and Fiscal Service Unit, 320 W. Washington, 4th Floor, Springfield, Illinois 62767.

DEPARTMENT OF FINANCIAL AND
PROFESSIONAL REGULATION of the
State of Illinois;

DIVISION OF INSURANCE

Date: March 5, 2007

Michael T. McRaith
Michael T. McRaith
Director

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF THE
MEDICAL MALPRACTICE
RATE INCREASE OF:

HEARING NO. 06-HR-0777

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURG, PA
FILE NO. #AIC-05-EO-06

FINDINGS OF FACT, CONCLUSIONS OF LAW AND RECOMMENDATIONS OF THE HEARING OFFICER

Now comes Timothy M. Cena, Hearing Officer in the above captioned matter and offers his Findings of Fact, Conclusions of Law and Recommendations to the Director of Insurance.

FINDINGS OF FACT

- 1) On November 14, 2005, National Union Fire Insurance Company of Pittsburg, PA (the Company) submitted for review to the Illinois Division of Insurance (Division) its Dentist Professional Liability Program Rate and Rule Filing #AIC-05-EO-06 (the Filing) (see Division Exhibit # 1).
- 2) On November 6, 2006 the Illinois Director of Insurance, Michael T. McRaith (Director) issued a Notice of Hearing to the Company pursuant to Section 155.18 of the Illinois Insurance Code (215 ILCS 5/155.18). The Notice required the Company to appear at a Hearing at the Division's Offices in Springfield, Illinois in order to determine if the Company's Filing was in compliance with Section 155.18 (see Hearing Officer Exhibit # 2).

- 3) On November 6, 2006, the Director appointed Timothy M. Cena as Hearing Officer in this matter (see Hearing Officer Exhibit # 1).
- 4) The Hearing in this matter was convened on November 30, 2006 at 10:00 AM at the Division's Offices in Springfield, Illinois at which time were present in Springfield, Illinois; Joseph T. Clennon, on behalf of the Division; George Hroziencik, on behalf of the Company; Rob Kane, with ISMIE Mutual Insurance Company; Craig Lounsberry, with the Illinois Trial Lawyers Association; Julie Anderson, Judy Pool Boutchee, John Gatlin, Pam Donnewald, and Gayle Neuman, all with the Division of Insurance. Due to inclement weather the Hearing Officer conducted the Hearing, by agreement with the Company, telephonically from the Division's Offices in Chicago, Illinois.

The purpose of this proceeding is for the Hearing Officer to take information regarding the Filing and to determine if the policy is in compliance with Section 155.18 of the Insurance Code.

- 5) Mr. Hroziencik declined to make an opening statement in this matter. Mr. Clennon, in his opening statement indicated that the Division had performed an extensive review of the Filing. The review determined that the Filing was complete, including all required documentation, transmittal forms and certifications. Correspondence between the Division and the Company was exchanged seeking to clarify the Company's submission. An analysis of the actuarial indications and supporting documentation was performed. Consideration was given to the Company's rate-making methodology. After consideration of the rate filing and supplemental correspondence the Division indicated that it had no reason to object to filing pending additional questioning at the Hearing.
- 6) After completion of opening statements the Hearing Officer received into the Record the Company's Filing # AIC-05-EO-06. In the Filing the Company proposes to increase rates for its Dental Professional Liability Program by 22.04%. The rate change consists of a base rate increase and the implementation of a new class plan. Since the Company has only offered this program for one year there is no credible loss data for this program. The Company, therefore, based its rate change on the most recent historical countrywide data. The Company took this program over from another insurer that withdrew from the Illinois market in 2004. The rate increase is based on data from 2000-2004 on a country-wide basis using specific loss development triangles. The rate increase affects approximately 90 dentists in Illinois. The analysis of the loss experience gives an indicated rate change of 35.5%. The Company elected not to take the full indication opting instead for the 22.04% increase.

In assembling this Plan the Company reviewed programs of different insurers and selected as their model a program established by Medical Protective Insurance Company. The program divides dentists into five classes depending on the types of procedures performed by the dentist.

- 7) The Company uses a discount and surcharge program during its underwriting process. The Company maintains a schedule of debits and credits that are applied to a particular risk based on how that risk measures up to rating criteria developed by the company. An individual dentist's rates will go up or down based on how he/she scores on those rating criteria. The schedule of debit and credits is used in conjunction with the class plan put in place by this program.
- 8) In Division Exhibit # 1, Packet # 2, Exhibit # 1, the Company lists its Trended Loss and Loss Adjustment Expense from 2000 to 2004. The Trend indicates steadily increasing ratios from a low in 2000 of .597, to a high in 2004 of 1.389. The Company's target loss and loss adjustment expense is .755. The Company considers the 1.059 and 1.389 ratios indicated for 2003 and 2004 respectively to be disturbing upward trends in losses.
- 9) The Company did not look at the trends indicated by the national ratios in Exhibit # 1 on a state-by-state basis. In Illinois, for example, the policyholder population is about 90 dentists. The Company stated that trends can not be tracked with a breakdown that small and maintain mathematical credibility.
- 10) The Company does not analyze trends individually for allocated loss adjustment expenses, severity of claims or frequency of claims, but rather, looks at these ratios as a whole. The Company stated that the total premium volume, even for the combined country-wide programs, are not large enough to generate credible numbers for individual break-outs of ALAE, frequency or severity. In the Company's opinion all three factors are driving the rate increase that is the subject matter of this proceeding.
- 11) The Company testified that it is standard practice, in setting up case reserves, to consider tort reform legislation enacted in a State.
- 12) At the close of the Hearing, the Hearing Officer left the Record in this matter open in order to allow the Company an opportunity to respond to various questions, posed by the Division during the Hearing, but to which the Company was unable to respond.

On December 20, 2006, Counsel for the Division issued a letter to the Company requesting responses to 10 questions therein contained (see Hearing Officer Exhibit # 3).

- 13) On January 10, 2007, the Company provided a written Response to the Division's questions (see Hearing Officer Exhibit # 4). As a part of Hearing Officer Exhibit # 4, the Company filed a revised Illinois Manual of Rates and Rules which included the Company's proposed Quarterly Payment Plan (Rule 28).
- 14) After reviewing the Post-Hearing submissions and the Company's responses to the questions presented at the Hearing, the Division indicated to the Hearing Officer that it had no objections to the Company's Filing.
- 15) Capital Reporting Service Inc. transcribed the testimony taken in this matter and charged the Division \$190.00 for the court reporter's attendance and a transcript of the proceeding (Hearing Officer Exhibit # 5).

CONCLUSIONS OF LAW

Based upon the above-stated Findings of Fact and the entire Record in this matter the Hearing Officer offers the following Conclusions of Law to the Director of Insurance.

- 1) Timothy M. Cena was duly appointed as Hearing Officer in this matter by the Director of Insurance pursuant to Section 402 of the Illinois Insurance Code (215 ILCS 5/402).
- 2) The Director of Insurance has jurisdiction over the parties and the subject matter of this proceeding pursuant to Sections 155.18, 401, 402 and 403 of the Illinois Insurance Code (215 ILCS 5/155.18, 5/401, 5/402 and 5/403).
- 3) The purpose of this proceeding is to determine if the National Union Fire Insurance Company of Pittsburgh, PA, Filing # AIC-05-EO-06 is in compliance with Section 155.18 of the Illinois Insurance Code.

Section 155.18 of the Insurance Code provides, in part, as follows:

- “(a) This Section shall apply to insurance on risks based upon negligence by a physician, hospital or other health care provider, referred to herein as medical liability insurance.
- (b) The following standards shall apply to the making and use of rates pertaining to all classes of medical liability insurance:
 - (1) Rates shall not be excessive or inadequate nor shall they be unfairly discriminatory. . .

- (2) Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside this State, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both countrywide and those especially applicable to this State, and to all other factors, including judgment factors, deemed relevant within and outside this State.

Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by companies to their policyholders, members or subscribers.

- (3) The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or groups with respect to any kind of insurance, or with respect to any subdivision or combination thereof.
- (4) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which established standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors or the class.
- (c) (1) Every company writing medical liability insurance shall file with the Secretary of Financial and Professional Regulation the rates and rating schedules it uses for medical liability insurance. A rate shall go into effect upon filing, except as otherwise provided in this Section.

- (2) If (i) 1% of the company's insureds within a specialty or 25 of the company's insureds (whichever is greater) request a public hearing, (ii) the Secretary at his or her discretion decides to convene a public hearing, or (iii) the percentage increase in a company's rate is greater than 6%, then the Secretary shall convene a public hearing in accordance with this paragraph (2). A public hearing under this paragraph (2) must be concluded within 90 days after the request, decision, or increase that gave rise to the hearing. The Secretary may, by order, adjust a rate or take any other appropriate action at the conclusion of the hearing.
- (3) A rate filing shall occur upon a company's commencement of medical liability insurance business in this State and thereafter as often as the rates are changed or amended.
- (4) For the purposes of this Section, any change in premium to the company's insureds as a result of a change in the company's base rates or a change in its increased limits factors shall constitute a change in rates and shall require a filing with the Secretary.
- (5) It shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. The Secretary may request any additional statistical data and other pertinent information necessary to determine the manner the company used to set the filed rates and the reasonableness of those rates. This data and information shall be made available, on a company-by-company basis, to the general public.
- (d) If after a public hearing the Secretary finds;
 - (1) that any rate, rating plan or rating system violates the provisions of this Section applicable to it, he shall issue an order to the company which has been the subject of the hearing specifying in what respects such violation exists and, in that order, may adjust the rate; . . . "

The information presented in this matter to the Hearing Officer does not indicate that the Filing is excessive or inadequate or that it is unfairly discriminatory. The Hearing Officer, therefore, concludes that National Union Fire Insurance Company of Pittsburg, PA, Filing # AIC-05-EO-06 is in compliance with Section 155.18 of the Illinois Insurance Code.

The Hearing in this matter was required by Section 155.18 of the Insurance Code by virtue of the greater than 6% rate increased filed by the Company. The Hearing Officer, therefore, concludes that the costs of the Hearing should be assessed against the Company. The costs of the Hearing consist entirely of the costs charged to the Division by the court reporting firm for the preparation of the transcripts of the testimony taken in this matter.

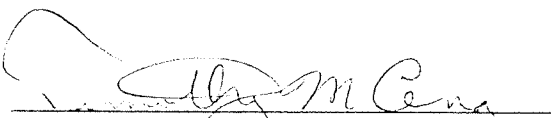
RECOMMENDATIONS

Based upon the above-state Findings of Fact, Conclusion of Law and the entire Record in this matter the Hearing Officer offers the following Recommendations to the Director of Insurance.

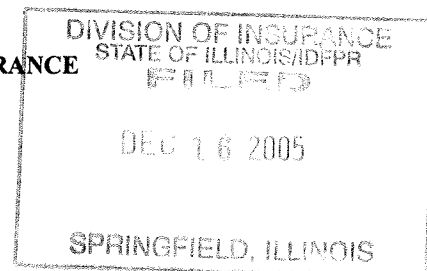
- 1) That the Company's rule/rate Filing #AIC-05-EO-06, as contained in this Record, be approved; and
- 2) That the Company be assessed the costs of this proceeding.

Respectfully submitted,

Date: 2/26/07


Timothy M. Cena
Hearing Officer

**DENTAL PROFESSIONAL AND PREMISES LIABILITY INSURANCE
CLAIMS MADE AND OCCURRENCE RATING RULES
STATE OF ILLINOIS**



1. COVERAGE

Professional Liability on an occurrence and claims made basis.

2. CLASS DESCRIPTION

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Class 2 - Any Dentist performing implants involving osseointegration or minor surgical procedures.* General dentists or Specialists other than Oral Surgeons or Dental Anesthesiologists allowing (hosting) unconscious sedation outside of a hospital, but only if the sedation is administered by an Oral Surgeon, Dental or Medical Anesthesiologist or CRNA.

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*Procedures do not include the administration of a general anesthetic intended to cause unconsciousness unless administered in a hospital.

GENERAL RULES

3. PREMIUM BASE

Both occurrence and claims made rates apply on a per dentist basis for professional liability.

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Policies will be written for a term of one year and renewed annually thereafter, subject to underwriting review.

5. FORMS PORTFOLIO

Refer to the forms portfolio for coverage forms, state amendatory and other special state endorsements.

6. PREMIUM COMPUTATION

- A. Compute the premium at inception using the rates in effect at that time. At each renewal, compute the premium using rates then in effect.
- B. Prorate the premium when policy is issued for other than one year.
- C. Premiums are calculated as specified for the respective coverage. Rounding to the nearest whole dollar amount (i.e. .50 and greater rounds up; .49 and below rounds down) is done after the computation of the final premium.

- D. Individual Risk Premium Modifications will be added together and applied as one modification to the premium.

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7. ADDITIONAL PREMIUM CHARGE

- A. Prorate all changes requiring additional premium.
- B. Apply the rates and rules in effect on the effective date of the change.
- C. Waive additional premium of \$15.00 or less. The waiver only applies to cash exchange due on an endorsement effective date.

8. RETURN PREMIUM CHARGES

- A. Deletion of a mandatory coverage is not permitted unless the entire policy is canceled.
- B. Compute return premium at the rate used to calculate the policy premium.
- C. Compute return premium pro rata when any coverage or exposure is deleted or an amount of insurance is reduced.
- D. Waive return premium of \$15.00 or less. Grant any return premium if requested by the Insured. This waiver only applies to cash exchanges due on the endorsement effective date.

9. POLICY CANCELLATION

- A. Compute return premium pro rata when:
1. A policy is canceled at the Company's request.
 2. The Insured no longer has a financial or an insurable interest in the subject of insurance.
 3. A policy is canceled and rewritten in the same Company or Company Group.
 4. A policy is canceled due to death, disablement or retirement.
- B. If cancellation is for any other reason than stated in A. above, compute the return premium at .90 of the pro rata unearned premium for the one-year period.
- C. Retain the Policy Writing Minimum Earned Premium when the Insured requests cancellation except when a policy is canceled as of the inception date. In the event of a cancellation, the minimum premium will be considered to be the annual premium charge with cancellation premium subject to the policy writing minimum earned premium. The policy writing minimum earned premium shall be \$250.00 per annual or lesser period, unless otherwise specified for the respective coverage.

10. LOCATION OF PRACTICE

The rates as shown in this manual contemplate the exposure as being derived from professional practice within the state and territory. An exception will be allowed for dentists who have a multi-state or multi-territory exposure. We will charge the rate of the state or territory in which the dentist has a majority of his/her practice exposure.

11. MINIMUM PREMIUM

If policy premium does not exceed the minimum premiums as outlined in the Rate Sheet, the minimum premium will be charged for an annual period. The Minimum Premium is not applicable to the New Dentist Discount.

12. TERMINATION OF COVERAGE (CLAIMS MADE COVERAGE ONLY)

Within thirty (30) days after the termination of coverage, as defined below, the Company will advise the Named Insured in writing of the automatic Extended Reporting Period coverage and the availability of, the premium for, and the importance of purchasing additional Extended Reporting Period coverage.

The Named Insured shall have the greater of sixty (60) days from the effective date of termination of coverage, or thirty (30) days from the date of mailing or delivery of such notice, to submit to the Company written acceptance of the Extended Reporting Period coverage.

Termination of Coverage, whether made by the Company or the Named Insured at any time, means either (1) cancellation or nonrenewal of a policy, or (2) decrease in limits, reduction of coverage, increased deductible or self-insured retention, new exclusion or any other change in coverage less favorable to the Insured.

13. EXTENDED REPORTING PERIOD COVERAGE (CLAIMS MADE COVERAGE ONLY)

The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.

- A. The available limits of liability shall not exceed those afforded under the current policy.
- B. In the event of termination of coverage, as defined above, the Insured may purchase this coverage by giving the Company written notice, within sixty (60) days of such termination of coverage, or thirty (30) days from the date of mailing or delivery of such notice, of its intent to purchase, and by paying the appropriate premium.
- C. Extended Reporting Period premiums shall be calculated upon the expiring annual premium.
- D. The Extended Reporting Period coverage shall not increase or reinstate the limits of liability of the terminated policy.
- E. There will be no charge for Extended Reporting Period coverage if the Insured:
 - 1. Dies, or
 - 2. Totally and permanently:
 - a. Becomes disabled; or
 - b. Retires after age 55 and has been insured for 5 consecutive years in a National Society of Dental Practitioners' (NSDP) sponsored claims made program.
- F. The Extended Reporting Period shall be Unlimited.

COVERAGE RULES

14. NEW DENTIST DISCOUNT

A discount will be applied to premium for New Dentists in year 1 through 3 of practice that meet the following criteria (see rate sheet):

Year 1 - The dentist has completed his or her training in dentistry within the previous six months of applying to the Redwoods Program, and his or her only contact with patients was in the course of training; or

Years 2 or 3 - The dentist who applies to the Redwoods Program is in his or her second or third year of post graduate practice.

15. PART TIME DENTIST

This discount shall apply to any dentist who works twenty (20) hours or less per week or less than an aggregate of 1,050 hours during the term of an annual policy.

The Part-Time discount is not applied to the Extended Reporting Period Endorsement unless the part-time practice did not exceed an average of 1,050 hours per year over the previous five consecutive policy years with an NSDP sponsored program. See rate sheet.

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16. FACULTY DENTIST

A Faculty discount shall be applied to those dentists who are faculty members of an accredited dental school. The amount of the discount will be based on the hours spent teaching at the facility as defined below:

Full Time - 32 hours or more per week
Half Time - 16 to 31 hours per week
Part Time - 15 hours or less per week

To qualify for this discount, the applicant must submit a copy of his/her current letter of faculty appointment. See rate sheet.

17. WAIVER OF CONSENT

A premium discount shall be applied when the insured has waived the consent provision of the Coverage Agreements as indicated in endorsement 86029(6/04). This endorsement, and the accompanying premium modification, can not be added to a policy mid-term. See rate sheet.

18. RISK MANAGEMENT EDUCATION

A premium discount shall be applied to those dentists who participate in an approved risk management program. Approved risk management programs include but are not limited to completed risk management workshops, seminars, self-study, state dental society courses, accredited national organization courses, and courses completed from a previous insurer. See rate sheet.

19. CLAIM EXPERIENCE

Claim Free Credit

A premium discount will be applied to those dentists who have been without a chargeable loss based on the claim history of an individual dentist over the preceding five-year period. A chargeable loss is determined by adding all loss payments, outstanding reserves and loss adjustment expenses. See rate sheet.

Claim Experience Debit

Based on the claim history of an individual dentist over the preceding five-year period, a debit, based on a chargeable loss, shall be applied to the dentist's rate. A chargeable loss is determined by adding all loss payments, outstanding reserves and loss adjustment expenses. See rate sheet.

Debits will be adjusted each year, dependent upon annual review of claims experience.

20. INDIVIDUAL RISK PREMIUM MODIFICATIONS

Individual risk premium modification (IRPM) factors may be applied to reflect account characteristics not otherwise addressed. IRPM's are based on operational controls and procedure mix; practice characteristics; loss control procedures; and claim peculiarities. The total IRPM shall not exceed + or - 25%. See rate sheet.

21. POLICY CHANGE ENDORSEMENT

The policy change endorsement 86043(6/04), will be used to correct errors or mistakes on the Declarations page.

22. ADDITIONAL INSURED

Use endorsement 86037(6/04) to add additional insureds to the policy. If the Additional Insured is a Dental Health Maintenance Organization (DHMO) or Preferred Provider Organization (PPO) there is no charge for this coverage. See rate sheet.

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23. BOARD EXAMINATION COVERAGE

Coverage can be restricted and provided only for students taking Board Examinations through an accredited institution, or for individuals (not students) who sit for Board Examinations and are candidates for certification and/or licensing as a dentist. See rate sheet.

Coverage is to be written on a separate policy as follows:

- A. On an occurrence basis only;
- B. Limits of Liability shall be \$1,000,000 each claim and \$3,000,000 aggregate; and
- C. The policy period will not exceed the length of time of the examination.

24. MEDICAL WASTE DEFENSE EXPENSES REIMBURSEMENT COVERAGE

Optional coverage for Medical Waste Defense Expenses Reimbursement Coverage is available with limits of \$50,000 applicable to defense costs only. See rate sheet.

25. LOCUM TENENS

Coverage for a substitute dentist (120 day maximum). Prior approval required by the Company.

26. MILITARY SERVICE

This rule shall apply to an Insured who is called into active military service.

The policy coverage for the affected individual will continue for those Dental Incidents arising before military service began, with all other policy coverages suspended for the duration of the dentist's military service including payment of premium.

At the time private practice is resumed, the coverage and premium payment will begin with the policy's expiration date adjusted in order to reflect the duration of the individual's intervening military service. The claims made step factor that was applicable at the time of suspension will be the one in effect at the time of coverage resumption.

The Insured must provide the Company with a copy of the affected individual's military papers showing the date in which active duty is to begin. Endorsement 86039(6/04) (claims made) or 86038(6/04) (occurrence) is to be used, as applicable, to suspend the policy coverage.

27. DISABILITY OR LEAVE OF ABSENCE

In contemplation of a reduction in exposure, and for a period of at least 45 days and no greater than 180 days, insured dentists shall be eligible for a "disability and/or leave of absence" premium reduction for the disability or absence period. "Disability or leave of absence" is defined as an injury, disease, medical condition or continuing education sabbatical that prevents an insured dentist from engaging in the practice of dentistry, other than in an emergency situation. This will apply retroactively to the first day of disability or leave of absence. See rate sheet.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA
DENTAL PROFESSIONAL LIABILITY
RATE PLAN
ILLINOIS**

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RATES

1. PROFESSIONAL LIABILITY 1ST YEAR CLAIMS MADE BASE PREMIUMS

A. Limit of Liability	Base Premium
\$100,000 each claim/\$300,000 aggregate	694

B. Territory Relativity Factors

Territory	Relativity
Terr 1 Cook County	1.000
Terr 2 DuPage, Lake and Kane Counties	0.550
Terr 3 Remainder of State	0.501

2. CLASS PLAN RELATIVITY FACTORS

Class	Factor
1	1.000
2	1.230
3	3.329
4	5.660
5	6.119

3. POLICY TYPE FACTORS

A. Claims Made Year	Factor
Year 1	1.00
Year 2	1.82
Year 3	2.45
Year 4	2.73
Year 5	3.03
B. Occurrence	3.33

4. INCREASED LIMIT FACTORS

A. Increased Limit	Factor
\$100,000/\$ 300,000	1.00
\$200,000/\$ 600,000	1.14
\$500,000/\$1,500,000	1.33
\$1,000,000/\$3,000,000	1.56
\$2,000,000/\$4,000,000	1.64
\$3,000,000/\$3,000,000	1.72
\$5,000,000/\$5,000,000	1.80

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5. MINIMUM PREMIUMS

A. Limit of Liability

\$100,000/\$ 300,000	\$425
\$200,000/\$ 600,000	\$485
\$500,000/\$1,500,000	\$565
\$1,000,000/\$3,000,000	\$663
\$2,000,000/\$4,000,000	\$697
\$3,000,000/\$3,000,000	\$802
\$5,000,000/\$5,000,000	\$1,000

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6. EXTENDED REPORTING PERIOD FACTORS

A. Number of Years of Prior Acts

1 Year	0.80
2 Year	1.20
3 Year	1.45
4 Year	1.60
5 OR MORE YEARS	1.80

Factor to be Multiplied by the
Mature Claims Made Premium

7. NEW DENTIST DISCOUNT FACTORS

A. Years in Practice

First Year	0.50
Second or Third Year	0.75

Factor

8. PART TIME DENTIST DISCOUNT FACTOR

A. Number of Hours in Practice

20 hours or less per week	0.50
21 hours or more per week	1.00

Factor

9. FACULTY DISCOUNT FACTORS

A. Appointment Status

Full-Time	0.70
Half-Time	0.80
Part-Time	0.90
Zero-Time	1.00

Factor

10. WAIVER OF CONSENT DISCOUNT FACTOR

0.90

11. RISK MANAGEMENT EDUCATION FACTOR

0.90

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12. CLAIM FREE CREDIT DISCOUNT FACTORS

A. Years

10 + years claim free
9 years claim free
8 years claim free
7 years claim free
6 years claim free
5 years claim free
4 years claim free
3 years claim free
2 years claim free
1 years claim free

Factor

0.90
0.91
0.92
0.93
0.94
0.95
0.96
0.97
0.98
0.99

13. CLAIMS EXPERIENCE DEBIT

A. TOTAL OF ALL CLAIMS AMOUNT

	1 loss	2 losses	3 losses	4 losses
\$0 - \$3,000	1.05	1.10	1.15	1.20
\$3,001 - \$10,000	1.10	1.15	1.20	1.25
\$10,001 - \$20,000	1.15	1.20	1.25	1.30
\$20,001 - \$30,000	1.20	1.25	1.30	1.35
\$30,001 - \$40,000	1.25	1.30	1.35	1.40
\$40,001 +	1.30	1.35	1.40	1.50

14. INDIVIDUAL RISK PREMIUM MODIFICATIONS

	Range of Modifications	
	Credits	Debits
Operational controls and procedure mix, such as but not limited to mandatory referrals for extractions, use of consent forms, internal documentation practices, implant procedures and laser use, and extraction of impacted third molars.	10%	25%
Practice Characteristics, such as but not limited to single v. multiple locations, degree of severity presented by area of specialization, volume of patient traffic, number of years of patient experience.	10%	25%
Loss Control procedures, such as but not limited to training and retraining of all employees on the safest way to do their job; promoting safety awareness; conducting frequent safety inspections of all work areas; having an office safety program; using proper sterilization techniques to ensure environmental is free from the possibility of contamination from blood-borne pathogens.	10%	25%
Claim peculiarities, such as but not limited to who was responsible for the loss (Insured Dentist, Employee of Insured Dentists, Partner, Independent Contractor- this is for the respondeat superior or indemnity exposures); frequency or lack of administrative actions such as peer review, office of professional discipline or dental board complaints; frequency or lack of claims for return of fees	10%	25%

Maximum Debit/Credit=25%

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15. ADDITIONAL INSURED'S PREMIUM CHARGE FACTOR

10% Premium Charge

Factor

1.10

16. BOARD EXAMINATION COVERAGE PREMIUM CHARGE

Premium Charge

\$20

17. MEDICAL WASTE DEFENSE EXPENSES REIMBURSEMENT COVERAGE

Premium Charge

\$50

18. DISABILITY OR LEAVE OF ABSENCE

75% Premium Discount

Factor

0.25

Rev. 12/05

